REPORT OF

COUNTY EMPLOYEES' RETIREMENT FUND

DECEMBER 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County Employees' Retirement Fund

We have audited the accompanying statements of plan net assets of the County Employees' Retirement Fund ("CERF") as of December 31, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of CERF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of County Employees' Retirement Fund as of December 31, 2011 and 2010, and the changes in plan net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 - 8 and the schedules of funding progress and employer contributions on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise CERF's financial statements as a whole. The supplementary information included on pages 23 - 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams-Keepers LLC

May 22, 2012

COUNTY EMPLOYEES' RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the County Employees' Retirement Fund's (CERF) financial performance provides an introduction to the financial statements of CERF for the years ended December 31, 2011 and 2010. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the financial statements.

Required Financial Statements

CERF, a public employees' retirement plan, prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Plan Net Assets includes all of CERF's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net assets held in trust for pension benefits are accounted for in the Statement of Changes in Plan Net Assets. This statement measures CERF's success over the past year in increasing the net assets available for pension benefits.

Financial Analysis of CERF

While the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them, there are other important factors to be considered in order to determine the financial health of CERF. Among these additional factors is the plan's funded status. On an actuarial basis, the assets held as of June 30, 2011 currently fund 70% of the aggregate actuarial liability, which remains unchanged from the 70% funded ratio for June 30, 2010. During 2011, the fund had a negative 0.5% investment return, which is short of the 8% actuarial assumption. The plan actuary states that because of this, the funded ratio has slipped to 69% at December 31, 2011. If a ratio of the actuarial value of assets to the actuarial present value of accrued benefits based on plan members' current compensation is used, the funding ratio as of June 30, 2011 is 82%, unchanged from that as of June 30, 2010.

CERF uses other tools to monitor its actuarial results. We perform an actuarial gain and loss analysis every year to monitor each significant actuarial assumption. CERF also performs an actuarial experience study approximately every 5 years so that we can make any adjustments in actuarial assumptions if indicated. Also, importantly, we carry out of 40-year project to make sure that our funded ratio can be expected to reach 100% within a reasonable time-frame.

In 2011, contributions combined with net investment income and securities lending income totaling $27,817,915 exceeded deductions of $26,283,956. A net increase of $1,533,959 brought the plan's net asset base to $305,724,131. For actuarial calculations, certain assumptions were changed beginning in 2008, based on a six-year experience study. Specifically, the salary increase assumption was strengthened, the member turnover assumption was increased, and the retirement age assumption was modified. A 5-year smoothing method to derive the actuarial asset value was also adopted. The plan is not 100% funded at present, as it is a relatively new plan created by legislation in August, 1994 and the CERF plan granted past service credit. Our funded position had steadily improved since inception, enabling CERF to make improvements to plan benefits effective October 1, 2007. The cost of these benefit enhancements continue to be reflected in this recent actuarial valuation. At June 30, 2011, the date of the latest actuarial valuation, the actuarial value of assets was $318,320,084, while the fair market value of assets was $322,732,020. The aggregate actuarial liability for CERF was $452,366,458, based on plan members' projected compensation. The plan experienced an actuarial gain from member compensation increases that averaged 1.7%, which were lower than the actuarial assumption of an average 5.5%. However, more than offsetting the actuarial gain from the compensation increase assumption was an actuarial loss from Social Security experience. The Social Security National Average Wage Index is assumed to increase by 4.5%, but for the first time in history, the National Average Wage decreased.

Plan Net Assets

To begin the financial analysis, a summary of CERF's Plan Net Assets is as follows:

Condensed Statements of Plan Net Assets
(in $000's)

	2011	2010	Dollar Change	Percent Change
Cash and cash equivalents	$ 1,840	$ 1,689	$ 151	9%
Receivables	4,053	4,719	(666)	-14%
Investments	301,869	299,365	2,504	1%
Invested securities lending collateral	63,074	66,341	(3,267)	-5%
Other assets	6	10	(4)	-40%
Capital assets, net	3,513	3,602	(89)	-2%
Total assets	374,355	375,726	(1,371)	0%
Liabilities	68,631	71,536	(2,905)	-4%
Total plan net assets	$ 305,724	$ 304,190	$ 1,534	1%

Plan net assets increased by $1,533,959, or a mere 1%, in 2011.

The following table presents the investment allocation for 2011 and 2010, and CERF's target allocation for 2011. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages for 2011 are based on including the land and building at the 2010 appraisal amount. The percentages are also based on classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements.

	2011	2010	Target
Fixed Income	31.4%	29.0%	30.0%
U. S. Equities	39.3%	40.2%	35.0%
International Equities	14.0%	15.4%	15.0%
Private Equities	1.2%	0.8%	5.0%
Equity Long/Short	8.6%	9.2%	10.0%
Real Estate	4.5%	3.7%	5.0%
Cash	1.0%	1.7%	*

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Plan Net Assets
(in $000's)

	2010	2009	Dollar Change	Percent Change
Cash and cash equivalents	$ 1,689	$ 1,670	$ 19	1%
Receivables	4,719	4,307	412	10%
Investments	299,365	255,763	43,602	17%
Invested securities lending collateral	66,341	65,086	1,255	2%
Other assets	10	5	5	100%
Capital assets, net	3,602	3,704	(102)	-3%
Total assets	375,726	330,535	45,191	14%
Liabilities	71,536	69,756	1,780	3%
Total plan net assets	$ 304,190	$ 260,779	$ 43,411	17%

Plan net assets increased by $43,410,849, or 17%, in 2010. This increase reflects investment gains experienced during 2010 from improved market return.

The following table presents the investment allocation for 2010 and 2009, and CERF's target allocation for 2010. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages for 2010 are based on including the land and building at the 2010 appraisal amount and for 2009 at cost with no depreciation. The percentages are also based on classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements.

	2010	2009	Target
Fixed Income	29.0%	30.7%	30.0%
U. S. Equities	40.2%	38.7%	35.0%
International Equities	15.4%	16.4%	15.0%
Private Equities	0.8%	0.7%	5.0%
Equity Long/Short	9.2%	9.1%	10.0%
Real Estate	3.7%	3.4%	5.0%
Cash	1.7%	1.0%	*

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Changes in Plan Net Assets
(in $000's)

	2011	2010	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties receipts	$ 19,364	$ 19,740	$ (376)	-2%
By members	8,930	8,406	524	6%
For members, paid by counties	1,032	1,078	(46)	-4%
Members, purchase of prior service	81	75	6	8%
Total contributions	29,407	29,299	108	0%
Net investment income (loss)	(1,888)	37,188	(39,076)	-105%
Net securities lending activities	294	(250)	544	218%
Other income	5	5	1	14%
Total additions	27,818	66,242	(38,423)	-58%
Deductions:				
Benefits	$ 18,825	$ 16,246	$ 2,579	16%
Refunds	3,317	2,616	701	27%
Defined contribution plan match	2,225	2,127	98	5%
Administrative expenses	1,917	1,842	75	4%
Total deductions	26,284	22,831	3,453	15%
Net increase	$ 1,534	$ 43,411	$ (41,876)	-96%

Condensed Statements of Changes in Plan Net Assets
(in $000's)

	2010	2009	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties receipts	$ 19,740	$ 20,225	$ (485)	-2%
By members	8,406	8,335	71	1%
For members, paid by counties	1,078	784	294	38%
Members, purchase of prior service	75	92	(17)	-18%
Total contributions	29,299	29,436	(137)	0%
Net investment income	37,188	48,218	(11,030)	-23%
Net securities lending activities	(250)	(375)	125	33%
Other income	5	123	(118)	-96%
Total additions	66,242	77,402	(11,160)	-14%

	2010	2009	Dollar Change	Percent Change
Deductions:				
Benefits	$ 16,246	$ 14,999	$ 1,247	8%
Refunds	2,616	2,545	71	3%
Defined contribution plan match	2,127	2,006	121	6%
Administrative expenses	1,842	1,919	(77)	-4%
Total deductions	22,831	21,469	1,362	6%
Net increase	$ 43,411	$ 55,933	$ (12,522)	-22%

Additions

Additions needed to fund benefits are accumulated through contributions, which includes both county fee receipts and employee contributions, and returns on invested funds. Contributions for 2011 totaled $29,406,647 which was .4% above those received in 2010. Contributions for 2010 totaled $29,299,368, which was .5% below those received in 2009. Due to the legislation which took effect in 2003, as new employees continue to replace employees hired prior to February 25, 2002, employee contributions are expected to continue to rise.

The year 2011 was relatively strong for private equity and commercial real estate, but weak for international stocks and domestic equity markets, resulting in a $39,076,337 decrease in net investment income in 2011, as compared to 2010, excluding securities lending activities. For example, the S&P 500 Index returned 15.1% in 2010, and decreased to 2.1% in 2011. Similarly, the MSCI EAFE Index gained 8.2% in 2010 and lost 11.8% in 2011. Consequently, the total rate of return for the CERF portfolio in 2011 was (0.1)%, as compared to 14.7% in 2010. CERF's Large Cap U.S. Equities returned (1.1)%, as compared to 2.1% for the S&P 500 Index. The Small/Mid Cap U.S. Equities returned 1.6%, as compared to (2.5)% for the Russell 2500 Index. The fixed income portfolio returned 4.3%, as compared to 7.9% for the Barclays Capital Aggregate Index. CERF's international stock portfolio returned (8.8)%, as compared to (11.8)% for the MSCI EAFE Index. The Equity Long/Short position returned (5.9)%, as compared to 2.1% for the S&P 500 Index. CERF's Private Equity investment returned 11.1% as compared to the S&P 500 of 2.1%. The Real Estate portfolio consists of an investment in core real estate, as well as CERF's office building. In 2011, the core real estate investment returned 18.8%, as compared to the NFI ODCE Index return of 14.9%. The office building was appraised in mid-2010 with a market value of $3,500,000. The return on investment in CERF's office building will continue to be recognized as periodic appraisals are conducted every five years.

The year 2010 was strong for domestic stocks and commercial real estate, but relatively weak for international stocks. The $11,030,103 decrease in net investment income in 2010, as compared to 2009, is attributable to a more normalized market environment in 2010. For example, the S&P 500 Index returned 26.4% in 2009, and decreased to 15.1% in 2010. Similarly, the MSCI EAFE Index gained 32.5% in 2009 and gained just 8.2% in 2010. Consequently, the total rate of return for the CERF portfolio in 2010 was 14.7%, as compared to 23.9% in 2009. CERF's Large Cap U.S. Equities returned 22.2%, as compared to 15.1% for the S&P 500 Index. The Small/Mid Cap U.S. Equities returned 31.5%, as compared to 26.7% for the Russell 2500 Index. The fixed income portfolio returned 10.1%, as compared to 6.6% for the Barclays Capital Aggregate Index. CERF's international stock portfolio returned 6.1%, as compared to 8.2% for the MSCI EAFE Index. The Equity Long/Short position returned 6.8%, as compared to 15.1% for the S&P 500 Index. CERF's Private Equity investment returned 3.1% as compared to the S&P 500 of 15.1%. The Real Estate portfolio consists of an investment in core real estate, as well as CERF's office building. In 2010, the core real estate investment returned 19.1%, as compared to the NFI ODCE Index return of 15.3%. The office building was appraised in mid-2010 with a market value of $3,500,000. The return on investment in CERF's office building will continue to be recognized as periodic appraisals are conducted every five years.

Beginning in January 2006, the Board of Directors authorized CERF to enter into a Securities Lending Agreement with Key Bank, thus allowing CERF to lend its securities to broker-dealers, for the purpose of providing additional income to CERF. In 2011, CERF experienced a net unrealized securities lending gain of $294,403, as compared to a loss of $250,079 in 2010. The gain was a result of appreciation in the fair value of investments purchased with the collateral received in the lending transactions.

When comparing returns, it is important to note that CERF's investment objectives should be pursued as long-term goals designed to maximize return while reducing exposure to undue risk, as set out in the Board's investment policy. At a minimum, it is the objective of CERF to meet its actuarial interest assumption on an ongoing basis. Currently, the actuarial assumption for investment return is 8%. The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption of 1%, which is an absolute objective of 9%, net of investment management fees and transaction costs. Long term is defined as greater than 10 years. Some of the results for the total fund are:

Period	Returns	Other Public Funds
One Year	(0.1)%	83rd Percentile
Three Years	12.4%	17th Percentile
Five Years	3.2%	19th Percentile
Ten Years	5.9%	26th Percentile
Since Inception	8.6%	

Deductions

The expenses paid by CERF include benefit payments, refunds, a defined contribution plan match, and administrative expenses.

Expenses for 2011 totaled $26,283,956, an increase of $3,452,925 over 2010. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 3,446 in 2011 from 3,144 in 2010 (an increase of 302 payees), as well as an increase in the amount of the average benefit. There was also an increase of $98,009 in the amount necessary to make the defined contribution plan match for 2011 and a significant increase in the amount of contributions returned to terminated non-vested employees in 2011.

Expenses for 2010 totaled $22,831,031, an increase of $1,360,997 over 2009. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 3,144 in 2010 from 2,926 in 2009 (an increase of 218 payees), as well as an increase in the amount of the average benefit. There was also an increase of $121,021 in the amount necessary to make the defined contribution plan match for 2010.

Economic Outlook

CERF's estimated investment return for the three months ended March 31, 2012, is approximately 9.5%. CERF's investments as of March 31, 2012 total approximately $335,200,000, an increase of $29,900,000 since December 31, 2011, due to first quarter appreciable investment return and plan contributions. For the first quarter 2012, the S&P 500 Index return was 12.6%, the Barclays Capital Aggregate Index was 0.3%, the Russell 2500 was 13.0%, the NFI ODCE Index was 2.5%, and the MSCI EAFE Index was 11.0%.

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF PLAN NET ASSETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash	$ 1,840,233	$ 1,689,041
Receivables:		
Member contributions	347,785	324,668
Member prior service contributions	127,692	140,599
County contributions	2,701,683	2,630,362
Receivable for pending investment sales	195,843	854,718
Accrued interest and dividends	680,435	768,509
Total receivables	4,053,438	4,718,856
Investments, at fair value:		
U.S. government and agencies	16,220,776	16,172,958
Foreign bonds	9,521,724	7,291,299
Corporate bonds	25,725,906	24,008,816
Domestic stocks	114,072,163	116,857,296
International equities funds	42,800,813	46,915,852
Private equity	3,743,106	1,758,387
Hedge funds	70,119,326	67,669,259
Real estate fund	10,320,633	7,781,580
Cash equivalents	9,344,815	10,909,431
Total investments	301,869,262	299,364,878
Invested securities lending collateral	63,074,150	66,341,156
Other assets	5,549	10,472
Capital assets, net of accumulated depreciation of $2,190,846 and $2,094,579	3,512,871	3,602,192
Total assets	374,355,503	375,726,595
LIABILITIES		
Accounts payable	377,035	371,783
Accrued defined contribution plan contribution	2,224,641	2,126,632
Other accrued expenses	86,118	109,939
Deferred revenue	248,281	187,810
Payable for pending investment purchases	874,771	463,805
Collateral for securities on loan	64,820,526	68,276,454
Total liabilities	68,631,372	71,536,423
Net assets held in trust for pension benefits	$ 305,724,131	$ 304,190,172

(A schedule of funding progress is presented on page 22)

The notes to financial statements are an integral part of these statements

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Years Ended December 31, 2011 and 2010

	2011	2010
ADDITIONS:		
Contributions:		
County receipts	$ 19,364,023	$ 19,739,918
By members	8,929,581	8,405,810
For members, paid by counties	1,032,000	1,078,475
Members, purchase of prior service	81,043	75,165
Total contributions	29,406,647	29,299,368
Investment income (loss):		
Investing activities:		
Net appreciation (depreciation) in fair value of investments	(5,933,531)	33,471,199
Fixed income securities	2,602,826	2,650,218
Equity securities	2,813,769	2,611,324
Alternative investments	111,207	(139,009)
Other miscellaneous income	201,588	71,592
Total investment income	(204,141)	38,665,324
Investment expenses	(1,684,106)	(1,477,234)
Net income (loss) from investing activities	(1,888,247)	37,188,090
Securities lending activities:		
Income	190,968	240,843
Expenses	(85,487)	(154,944)
Net increase (decrease) in fair value of re-invested collateral	188,922	(335,978)
Net income (loss) from securities lending activities	294,403	(250,079)
Total net investment income (loss)	(1,593,844)	36,938,011
Other income	5,112	4,501
Total additions	27,817,915	66,241,880
DEDUCTIONS:		
Benefits	18,825,068	16,246,166
Refunds of member contributions	3,316,811	2,616,254
Defined contribution plan matching contribution	2,224,641	2,126,632
Administrative expense	1,917,436	1,841,979
Total deductions	26,283,956	22,831,031
Net increase	1,533,959	43,410,849
Net assets held in trust for pension benefits		
Beginning of year	304,190,172	260,779,323
End of year	$ 305,724,131	$ 304,190,172

The notes to financial statements are an integral part of these statements

COUNTY EMPLOYEES' RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The County Employees' Retirement Fund ("CERF") financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Bonds and stocks traded on a national or international exchange are valued at the last reported sales price at current exchange rates as reported by independent pricing services. The values of real estate included in the real estate fund investment are based upon annual independent appraisals, updated quarterly, as provided by the fund manager. Investments that do not have an established market are reported at estimated fair value as provided by investment or fund managers.

Property and Equipment: Property and equipment, including computer software programs, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated lives of the assets of from three to fifty years.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. PLAN DESCRIPTION

CERF was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000 could opt out of the system. CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and

may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

Contributions: Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature.

Counties may elect to make all or a portion of the required 4% contribution on behalf of employees. Total county-paid member contributions for the years ended December 31, 2011 and 2010 were $1,032,000 and $1,078,475, respectively.

In addition, the following fees and penalties prescribed under Missouri law are required to be collected and remitted to CERF by counties covered by the plan:

* Late fees on filing of personal property tax declarations
* Twenty dollars for each merchants and manufacturers license issued
* Six dollars on each document recorded or filed with county recorders of deeds, with an additional one dollar on each document recorded
* Three sevenths of the fee on delinquent property taxes
* Interest earned on investment of the above collections prior to remittance to CERF

The fees and penalties collected and remitted to CERF by counties covered by the plan for the years ended December 31, 2011 and 2010 were as follows:

	2011		2010	
Delinquent property tax fees	$ 8,039,013	41.52%	$ 8,202,492	41.55%
Assessor late assessment filing fees	5,230,653	27.01%	5,234,220	26.52%
Recorder document fees	4,898,134	25.30%	5,120,560	25.94%
Merchants and manufacturers licenses	1,142,799	5.90%	1,123,795	5.69%
Interest on the above fees	53,424	0.28%	58,851	0.30%
	$ 19,364,023	100%	$ 19,739,918	100%

Members: CERF members include eligible employees of 111 counties in the State of Missouri. The number of members and benefit recipients served by the system at December 31, 2011 and 2010 were:

	2011	2010
Retirees and beneficiaries receiving benefits	3,446	3,144
Terminated employees entitled to but not yet receiving benefits	1,692	1,670
Current active plan members	10,989	11,015
Total	16,127	15,829

Tax status: The Internal Revenue Service has determined and informed CERF by letter dated January 16, 2001, that the plan as amended through May 1, 2000 is in a form acceptable under the Internal Revenue Code.

3. FUNDED STATUS AND FUNDING PROGRESS:

The funded status of the plan as of July 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b)-(a))/(c)
7/1/11	$ 318,320,084	$ 452,366,458	$ 134,046,374	70.4%	$ 353,991,192	37.9%

The schedule of funding progress, presented as required supplementary information (RSI) following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2011	
Actuarial Cost Method	Entry age actuarial cost method	
Amortization Method	Level percent	
Remaining Amortization Period	20 years *	
Asset Valuation Method	5 year smoothed market	
Actuarial Assumptions:		
Investments rate of return	8%	
Projected salary increases**	0.2% - 7.6%	depending upon length of service
Cost-of-living adjustments	1%	

* Until July 1, 2011, the UAAL was being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995. As of July 1, 2011, the UAAL amortization was started fresh over a 20-year period. New components of the UAAL will be amortized over new 20-year periods as such components arise.

** 3% is added to these rates to allow for inflation.

4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk for Deposits: Custodial credit risk is the risk that in the event of a bank failure, CERF's deposits may not be returned to it. At December 31, 2011 and 2010, CERF's bank balances were secured by a combination of federal depository insurance and pledged collateral held in CERF's name by an agent of the depository bank.

Investments: Funds are invested by outside managers under policies established by the Board of Directors. The Board requires that its investment managers invest CERF's assets with the care, skill, and diligence a prudent person familiar with such matters acting in a like capacity would use in a similar enterprise with like objectives.

The following table summarizes CERF investments by type at December 31, 2011 and 2010:

	2011	2010
U.S. government and agencies securities	$ 16,220,776	$ 16,172,958
Foreign bonds	9,521,724	7,291,299
Corporate bonds and notes	25,725,906	24,008,816
Domestic stocks	114,072,163	116,857,296
International equities funds	42,800,813	46,915,852
Private equity	3,743,106	1,758,387
Hedge funds	70,119,326	67,669,259
Real estate fund	10,320,633	7,781,580
Cash equivalents	9,344,815	10,909,431
Total	$ 301,869,262	$ 299,364,878

CERF's investment policy permits investments in equity and fixed income (debt) securities and real estate, with guidelines for the percentage of the total for each category and for the type of investments within each category.

Investment income in the Statement of Changes in Plan Net Assets displays the realized and unrealized investment gains and losses from all investment types on the line item "Net appreciation (depreciation) in fair value of investments". Totals for interest, dividends and other types of investment income are presented by broad categories of investments.

With respect to debt securities, the policy permits fixed and variable rate securities issued or guaranteed by the U.S. government, its agencies or instrumentalities; and U.S. government sponsored and other corporation securities. To manage interest rate and credit risks, two investment managers are used for debt securities, each operating under specific guidelines with respect to approved securities, duration, diversification, and minimum quality ratings by Moody's or Standard and Poors.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the option-adjusted methodology. The Fund benchmarks the fixed income portfolio to the Barclays Capital Aggregate Bond Index. At December 31, 2011, the effective duration of the Barclays Capital Aggregate Bond Index was 6.12 years, whereas, CERF's fixed income portfolio had an effective duration of 6.21 years. At December 31, 2010, the effective duration of the Barclays Capital Aggregate Bond Index was 5.70 years, whereas, CERF's fixed income portfolio had an effective duration of 6.00 years. The following table summarizes duration by investment type as of December 31, 2011:

Investment	2011 Fair Value	Effective Duration Rate
U.S. Treasuries	$ 6,081,053	15.19 years
U.S. agencies mortgage pool	10,139,723	2.72 years
Commercial mortgage backed securities	5,081,097	3.96 years
Other asset backed securities	1,897,326	2.37 years
U.S. corporate - financial	5,062,009	4.17 years
U.S. corporate - industrial	12,718,879	6.32 years
U.S. corporate - utility	966,595	11.18 years
International	9,521,724	6.54 years
Preferred stock	75,269	9.34 years
Total	$ 51,543,675	

The following table summarizes duration by investment type as of December 31, 2010:

Investment	2010 Fair Value	Effective Duration Rate
U.S. Treasuries	$ 7,451,184	3.15 years
U.S. agencies mortgage pool	8,721,774	2.82 years
Commercial mortgage backed securities	3,912,296	4.00 years
Other asset backed securities	1,233,213	1.99 years
U.S. corporate - financial	4,641,500	5.57 years
U.S. corporate - industrial	13,054,274	8.26 years
U.S. corporate - utility	1,167,533	7.64 years
International	7,291,299	7.93 years
Preferred stock	99,235	8.54 years
Total	$ 47,572,308	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the plan. CERF's debt securities investments by credit rating category as of December 31, 2011 are presented in the following table.

Credit Rating Level	Total	U.S. Treasuries and Direct-Guaranteed Agencies	U.S. Sponsored Agencies - Mortgage Pools	Commercial Mortgage Backed Securties	Other Commercial Asset Backed Securites	U.S. Corporate - Financial	U.S. Corporate - Industrial	U.S. Corporate - Utility	Foreign	Preferred/ Equity
Guaranteed	$ 6,081,053	$ 6,081,053	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Aaa	14,476,823	-	10,139,723	2,760,637	1,525,064	-	-	-	51,399	-
Aa1	1,775,471	-	-	264,647	-	1,083,288	-	-	427,536	-
A1	29,210,328	-	-	2,055,813	372,262	3,978,721	12,718,879	966,595	9,042,789	75,269
Total	$ 51,543,675	$ 6,081,053	$ 10,139,723	$ 5,081,097	$ 1,897,326	$ 5,062,009	$ 12,718,879	$ 966,595	$ 9,521,724	$ 75,269

CERF's debt securities investments by credit rating category as of December 31, 2010 are presented in the following table.

Credit Rating Level	Total	U.S. Treasuries and Direct-Guaranteed Agencies	U.S. Sponsored Agencies - Mortgage Pools	Commercial Mortgage Backed Securties	Other Commercial Asset Backed Securites	U.S. Corporate - Financial	U.S. Corporate - Industrial	U.S. Corporate - Utility	Foreign	Preferred/ Equity
Guaranteed	$ 7,451,184	$ 7,451,184	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Aaa	13,053,960	-	8,721,774	3,239,674	1,092,512	-	-	-	-	-
Aa2	1,418,642	-	-	-	50,271	848,735	-	-	519,636	
A1	5,096,297	-	-	672,622	90,430	2,177,416	-	-	2,155,829	-
Baa1	9,431,895	-	-	-	-	686,621	5,962,738	537,951	2,244,585	-
Ba1	6,914,204	-	-	-	-	288,834	4,503,192	629,582	1,492,596	-
B1	4,042,433	-	-	-	-	639,894	2,523,886	-	878,653	-
CCC	163,693	-	-	-	-	-	64,458	-	-	99,235
Total	$ 47,572,308	$ 7,451,184	$ 8,721,774	$ 3,912,296	$ 1,233,213	$ 4,641,500	$ 13,054,274	$ 1,167,533	$ 7,291,299	$ 99,235

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a plan's investment in a single issuer. CERF's investment guidelines require diversified portfolios with no single issue, excluding U.S. government securities, being greater than 5% of each manager's total portfolio value at cost or 7% at market value. As of December 31, 2011 and 2010, no single issue exceeded the thresholds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The following is a summary of CERF's foreign bonds and international equities funds showing the exposure to foreign currency risk as of December 31, 2011 and 2010:

	2011	2010
Argentina Peso	$ 321,600	$ 340,000
Australian Dollar	105,582	297,893
Bermuda Dollar	164,531	281,636
Brazilian Real	1,839,475	1,167,653
Canadian Dollar	1,700,814	1,869,356
Cayman Islands Dollar	1,768,970	1,346,978
Chilean Peso	161,020	152,320
China Yuan Renminbi	920,071	1,439,818
Denmark Danish Krone	-	71,135
Euro	15,428,692	18,145,697
Hong Kong Dollar	2,783,008	3,670,045
Indian Rupee	15,083	182,046
Indonesian Rupiah	-	110,500
Japanese Yen	9,887,398	10,779,536
Korean Won	135,748	-
Liberian Dollar	-	160,550
Mexico Peso	3,671,222	761,497
New Zealand Dollar	-	209,657
Russian Ruble	150,831	-
Singapore Dollar	302,641	315,988
South Korean Won	1,675,858	1,083,965
Swiss Franc	2,972,383	3,037,587
Thai Baht	-	225,750
Turkish Lira	-	16,550
United Arab Emirates Dirham	145,800	247,185
United Kingdom Pound	6,723,788	7,561,782
United States Dollar	1,448,022	732,027
Total Foreign Securities	$ 52,322,537	$ 54,207,151

Securities Lending Program:

Description of the Program: CERF participates in a securities lending program administered by KeyBank National Association (the custodian). Under this program, the Board of Directors has authorized CERF to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. At the initiation of a loan, borrowers are required to provide cash collateral at 102% of the market value of loaned securities. This cash collateral is then invested in certain qualified investments as detailed in the securities lending agreement. The maturities of the investments made with cash collateral do not generally match the maturity of security loans. There are no restrictions on the amount of securities that can be lent at one time. CERF does not have the ability to pledge or sell collateral securities unless the borrower defaults. CERF and the borrowers each maintained the right to terminate all security lending transactions on demand.

Transactions with Borrowers During the Period: Securities lent as of December 31, 2011 and 2010 consisted of U.S. government and agency securities, U.S. equities, U.S. corporate bonds, and mortgage backed securities. The average term of securities loans was 1 day at December 31, 2011 and 2010. The fair value, including accrued interest, of securities on loan was $62,616,039 and $66,041,035, as of December 31, 2011 and 2010, respectively. Because the fair value of collateral held exceeded the fair value of securities lent at December 31, 2011 and 2010, CERF had no credit risk exposure to borrowers as of those dates. There were no losses during the year resulting from a default of the borrowers or the custodial bank.

Investment of Cash Collateral During the Period: The weighted average duration of collateral investments was 2.4 days and 1.0 days at December 31, 2011 and 2010, respectively. The fair value of collateral investments was $63,074,150 and $66,341,156 as of December 31, 2011 and 2010, respectively. CERF's securities lending policy states that in the event a security held in the collateral investments portfolio is downgraded below A3 by Moody's or A- by Standard and Poors that a potential course of action be discussed. Such potential actions include selling the security as soon as possible or holding the security in the hopes of an improved market. As of December 31, 2011, 1.81%, or $1,138,957, of the total market value of the collateral investments portfolio was in securities that had fallen below these minimum ratings thresholds. As of December 31, 2010, 2.40%, or $1,589,420, of the total market value of the collateral investments portfolio was in securities that had fallen below these minimum ratings thresholds. The fair value of collateral investments was $1,746,376 and $1,935,298 less than the liability for the collateral held for securities on loan as of December 31, 2011 and 2010, respectively. The agreement between CERF and the securities lending agent does not provide for indemnification to CERF for any loss incurred as a result of CERF's participation in the program.

Securities Lending Income: Security lending income from CERF's share of income on investments made from cash collateral less borrower rebates and fees of the securities lending agent was $105,481 and $85,899 for 2011 and 2010, respectively.

The following table summarizes duration by investment type as of December 31 for securities lending invested collateral subject to interest rate risk:

	2011		2010	
Investment	Fair Value	Effective Duration Rate	Fair Value	Effective Duration Rate
Repurchase agreements	$ 30,500,000	1-49 days	$ 57,000,000	1-41 days
Money market funds	21,438,074	1 day	7,751,736	1 day
Corporate notes	1,138,957	1-271 days	1,589,420	1-272 days
Commercial paper	9,997,119	5-18 days	-	N/A
Total	$ 63,074,150		$ 66,341,156	

The following table summarizes credit ratings by investment type as of December 31 for securities lending invested collateral subject to credit risk:

	2011				2010		
Moody's Credit Rating Level	Repurchase Agreements	Money Market Funds	Corporate Notes	Commercial Paper	Repurchase Agreements	Money Market Funds	Corporate Notes
Not rated	$ 30,500,000	$ -	$ 1,138,957	$ -	$ 57,000,000	$ -	$ 1,589,420
Aaa	-	21,438,074	-	-	-	7,751,736	-
P1	-	-	-	9,997,119	-	-	-
Total	$ 30,500,000	$ 21,438,074	$ 1,138,957	$ 9,997,119	$ 57,000,000	$ 7,751,736	$ 1,589,420

5. CAPITAL ASSETS

Capital assets consist of the following as of December 31, 2011:

	January 1, 2011	Additions	Disposals and Adjustments	December 31, 2011
Assets not being depreciated:				
Land	$ 932,050	$ -	$ -	$ 932,050
Assets being depreciated:				
Building	3,022,819	-	-	3,022,819
Equipment, furnishings and computer software	1,741,902	20,012	(13,066)	1,748,848
Total assets being depreciated	4,764,721	20,012	(13,066)	4,771,667
Less accumulated depreciation	2,094,579	109,333	(13,066)	2,190,846
Net assets being depreciated	2,670,142	(89,321)	-	2,580,821
Total capital assets	$ 3,602,192	$ (89,321)	$ -	$ 3,512,871

Capital assets consist of the following as of December 31, 2010:

	January 1, 2010	Additions	Disposals	December 31, 2010
Assets not being depreciated:				
Land	$ 932,050	$ -	$ -	$ 932,050
Assets being depreciated:				
Building	3,022,819	-	-	3,022,819
Equipment, furnishings and computer software	1,737,842	15,338	(11,278)	1,741,902
Total assets being depreciated	4,760,661	15,338	(11,278)	4,764,721
Less accumulated depreciation	1,988,886	116,971	(11,278)	2,094,579
Net assets being depreciated	2,771,775	(101,633)	-	2,670,142
Total capital assets	$ 3,703,825	$ (101,633)	$ -	$ 3,602,192

6. PRIOR SERVICE CONTRIBUTIONS

An eligible county employee who was employed prior to CERF's inception on August 28, 1994, is considered to have prior service. If the employee was working on June 10, 1999, and worked through January 1, 2000, the prior service is awarded. This means the employee does not have to purchase the service to have it deemed creditable. If the employee did not work continually from June 10, 1999 through January 1, 2000, the prior service must be purchased to become creditable. The prior service is calculated at the time of retirement and can be paid in one lump sum or over a period of up to 48 months. The monthly pension benefit is reduced by the buyback amount until the prior service has been paid in full.

An eligible county employee who was employed on January 1, 1990, but not employed on August 28, 1994, and who had at least eight years of service is classified as a special consultant. A special consultant can elect to purchase eight years or more of their service in order to receive a CERF benefit. Since a special consultant would have terminated employment prior to CERF's inception, they are required to make a larger buyback and must pay at least 50% of this amount up front. The remaining amount is deducted from the monthly pension benefit for up to 48 months.

An eligible county employee who opted out of the system prior to January 1, 2000 had the option to become a member within three months of the three year anniversary of the decision to opt out. Upon deciding to opt in to the system, such employee either purchased in total or began payroll deductions to purchase all or part of his prior creditable service plus interest over a maximum period of four years. Such amounts are recognized as contributions when received by CERF.

The receivables for member prior service contributions shown on the accompanying statements of net assets represent the total amount, as of December 31, 2011 and 2010, that is due in future periods from retirees who have elected to purchase prior service.

7. RETIREMENT PLANS FOR FUND EMPLOYEES

All full-time employees of CERF are eligible for participation in a defined contribution plan. CERF contributes 6% of a participating employee's monthly gross salary to the plan. The contribution requirements of the plan are governed by the plan document, which may be amended by the Board of Directors. Employees do not contribute to the retirement plan. Employees become vested in contributions made by CERF after 5 years of creditable service. Total contributions for the year ended December 31, 2011 and 2010 were $43,057 and $45,434, respectively.

All full-time employees are eligible for participation in an Internal Revenue Code (IRC) 457 deferred compensation plan upon their eligibility in the defined contribution plan.

8. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan Description: Effective January 1, 2000, CERF also administers a defined contribution plan and an IRC Section 457 deferred compensation plan. The plans were established to provide an opportunity for members of the pension plan to have additional retirement benefits. The plans' provisions and contribution requirements are established and may be amended only by action of the Missouri Legislature. Members of the pension plan are eligible to participate.

Contributions: Pension plan members who are not members of LAGERS are required to contribute 0.7% of gross compensation to the defined contribution plan. Contributions of $767,322 and $743,958 were made during the years ended December 31, 2011 and 2010, respectively. Participation in the 457 plan is voluntary. The level of contributions to the 457 plan is elected by the employee, subject to the limitations of IRC Sections 401(a) and

457. CERF's Board of Directors determines if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the 457 plan. The amount of any matching contribution is limited to an amount not needed to keep the pension plan actuarially sound. The matching contribution is also limited to 50% of a member's voluntary contributions to the 457 plan, up to 3% of the member's compensation. Members vest in the matching portion of contributions allocated to their respective accounts after five years of creditable service. Matching contributions for the years ended December 31, 2011 and 2010 were $2,224,641 and $2,126,632, respectively.

Administration: Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian, respectively. Member contributions are sent directly to the third party administrator by the counties. Members can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Separate trust funds are maintained for the defined contribution and 457 plan assets.

Because CERF does not hold the plans' assets and does not have significant administrative responsibilities, the plans' assets and changes in net assets are not reported in CERF's financial statements.

9. RISK MANAGEMENT

CERF is exposed to various risks of loss related to natural disasters, errors and omission, loss of assets, torts, etc. CERF has chosen to cover such losses through the purchase of commercial insurance. There have been no significant insurance claims filed or paid during the past three years.

10. COMMITMENTS

CERF had total unfunded capital commitments to a private equity limited partnership investment fund of $6,344,980 and $8,195,699 as of December 2011 and 2010, respectively.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b)-(a))/(c)
1/1/07	233,046,479	298,184,874	65,138,395	78.2%	317,301,810	20.5%
7/1/07	254,803,856	308,563,489	53,759,633	82.6%	320,317,003	16.8%
7/1/08	271,146,789	364,213,668	93,066,879	74.4%	335,961,755	27.7%
7/1/09	270,397,854	396,537,305	126,139,451	68.2%	352,719,824	35.8%
7/1/10	294,482,927	423,561,319	129,078,392	69.5%	361,334,336	35.7%
7/1/11	318,320,084	452,366,458	134,046,374	70.4%	353,991,192	37.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Required Contribution	Actual Contribution	Percentage Contributed
2006	13,447,802	18,923,599	140.7%
Six Months Ended June 30,			
2007	6,474,975	11,656,551	180.0%
Years Ended June 30,			
2008	11,930,574	20,000,450	167.6%
2009	16,011,408	19,994,180	124.9%
2010	19,095,323	19,815,866	103.8%
2011	19,872,429	19,440,212	97.8%

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2011 and 2010

	2011	2010
Personal services		
Staff salaries	$ 779,345	$ 759,452
Social security	54,804	52,803
Retirement	43,057	45,434
Insurance	134,346	130,182
Total personal services	1,011,552	987,871
Professional services		
Actuarial	165,690	155,168
Audit	54,751	48,792
Legal counsel	171,954	145,512
Legislative consultant	67,000	67,000
Plan design and implementation consultants	26,207	23,761
Total professional services	485,602	440,233
Communication		
Printing	22,561	19,534
Postage	23,065	21,703
Telephone	22,459	24,784
Total communication	68,085	66,021
Rentals		
Equipment leasing and maintenance	32,974	30,345
Total rentals	32,974	30,345
Depreciation	109,333	116,972
Miscellaneous		
Utilities	22,550	21,555
Board of directors expenses	16,092	12,966
Business risk insurance premiums	64,431	64,086
Staff development	22,517	20,051
Office	84,123	81,879
Property taxes	177	-
Total miscellaneous	209,890	200,537
Total administrative expenses	$ 1,917,436	$ 1,841,979

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF INVESTMENT EXPENSES
For the Years Ended December 31, 2011 and 2010

	2011	2010
Investment management expenses		
Domestic stocks	$ 865,423	$ 757,183
International stocks	229,523	225,056
Bonds	164,451	153,013
Private equity	64,692	32,145
Real estate	100,828	76,971
Total investment management expenses	1,424,917	1,244,368
Other investment expenses		
Investment consultants	153,971	127,537
Investment custodian	99,573	97,323
Bank depository	5,645	8,006
Total other investment expenses	259,189	232,866
Total investment expenses	$ 1,684,106	$ 1,477,234

	2011	2010
Securities lending expenses		
Borrower rebates	$ 59,130	$ 134,186
Agent fees	26,357	20,758
Total securities lending expenses	$ 85,487	$ 154,944